

State Aid for Local Transportation Federal Aid Agency Agreement Preparation and Payment Process

Agreements are used to spell out the responsibilities of each agency (MnDOT and LPA) on the project. They can be used as an instrument to collect and/or disburse funds needed on the project. SALT has an overall agency agreement with each State Aid agency.

Types of Agreements used by federal aid section:

- I. [Delegated Contract Process \(DCP\)](#) - One agency agreement for state aid clients, one agreement per project for non-state aid clients. DCP agreement specifies responsibilities of each agency in the project. This agreement was rewritten in 2012.
- II. [Force Account \(FA\)](#) - used when the LPA is going to do work or provide materials for the project that they wish to be reimbursed for with federal funds. The LPA must document that it is clearly in the public interest that the materials of services not be provided by private vendors, consultants or contractors (cannot assume that the Agency forces can perform work at a lower cost). Information must be provided for Agency costs. Proposals must be "cost plus fixed fee" type; estimating tasks to be performed, number of hours for different employees, employee salaried and overhead, and all direct costs specified and estimated.
- III. [Right of Way \(RW\)](#) - used to purchase right of way for the project. Very limited usage is allowed in Minnesota.
- IV. [Preliminary Engineering \(PE\)](#) - used for studies, design or other engineering activities for a project. Very limited usage is allowed in Minnesota.
- V. [Construction Engineering \(CE\)](#) - used for federal reimbursement of construction engineering activities, such as inspection, surveying, and materials testing. Very limited usage is allowed in Minnesota.
- VI. Fund Swap Agreements - Donor and Recipient—used to exchange federal funds and state aid funds between 2 or more counties or 2 or more cities. See guidelines for criteria.
- VII. Advance Construction (AC) - used when an LPA wants to build a project before the funds are available. It is basically a promissory note for the LPA to reserve federal funds in a future year. LPA must cover all costs until the project is converted to federal funds.
 - a. [Traditional](#) - Project funds are in a different federal fiscal year
 - b. [Cash flow](#) - Projects let in the same fiscal year, but greater than \$5,000,000
- VIII. General Construction
- IX. Specific Construction

Agreement process:

1. LPA submits a request for an agreement generally in the form of a project memo.
2. DSAE puts project must be in the STIP and PPMS
3. Project needs a memo to document work to be performed
 - a. Includes scope of work.
 - b. Work to be done by LPA or consultant spelled out. *PIF is needed if work done by LPA
 - c. Includes estimate of cost.
 - d. Project location.

4. DSAE reviews and approves Project memo
5. SALT approves project memo
6. SALT requests DBE goal. Generally send a copy of the approved PM to OCR (Office of Civil Rights) for a goal to be set from that document. Additional information may be requested from the OCR office. Enter the date requested in project tracking
7. SALT requests authorization as normal authorization procedures for (FA, PE, CE, and RW). Once project is authorized continue. Enter dates in project tracking "Date Authorization Requested and Date Authorization Approved"
8. FHWA authorizes project.
9. SALT gets an Agency Agreement number.
10. SALT provides LPA with appropriate DBE language and Cert forms to be included in the proposal
11. LPA advertises for and selects Consultant.
12. Once consultant has been selected
 - a. if the project has a numeric DBE goal, the paperwork must be forwarded to the EEO office for clearance before the contracts can be signed between the LPA and the Consultant.
 - b. If the project will involve the LPA hiring a consultant and if the cost estimate exceeds \$50,000 a [preaward audit](#) is needed.
13. SALT prepares Agency Agreement.
14. SALT finance encumbrances fund for FA, PE, RW, or CE agreements.
15. SALT prepares 4 originals of the agreement with blue jackets.
16. SALT sends Agency Agreement (all 4 copies) to LPA with an instruction send cover letter and a with a [sample resolution](#).
 - a. SALT sends a draft copy DSAE
 - b. SALT keeps a draft copy for file
 - c. SALT sends a draft, if a Scenic Byways agreement to MnDOT Scenic Byways Coordinator
 - d. SALT sends a draft copy to any other party interested in project.
17. LPA has agreement and resolution executed by their governing body.
18. LPA adds [resolution](#) to blue back packets and has appropriate people sign the agreement.
19. LPA sends signed agreements back to SALT.
20. SALT has all originals signed by State Aid Engineer.
21. SALT forwards all four originals with cover letter to MnDOT Contract Management.
22. MnDOT Contract Management will get other signatures as needed on the agreements.
23. Once all signatures are on the agreement, the contract is executed as of the date of the last signature.
 24. SALT distributes original agreements a. One original is kept by Contract Management.
 - b. One original is kept by Department of Administration if agreement exceeds \$1,000,000
 - c. One original is kept by SALT
 - d. One original is original returned to LPA.
 - e. Copies are distributed within MnDOT and to other interested parties
25. Work proceeds as planned.

Notes:

1. If the agreement is with another state agency such as DNR, MHS, DTED, no resolution is needed and a retainage does not need to be withheld.
2. Agreements no longer need to be notarized as of 7/1/02.
3. All agreements should be executed before the project is let and must be before the project is awarded or any payment is made.
4. Authorization date must occur before funds can flow from the FHWA through MnDOT to the LPA.
5. State requires that encumbrance occur prior to any expenditure of funds.